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Review warns of forfeiting \$1.5 billion in federal money

By David Whitney
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WASHINGTON – Gov. Arnold Schwarzenegger's proposed austerity budget would sacrifice an estimated \$1.5 billion in federal money by slashing the state spending necessary to qualify for the matching funds, according to an Assembly analysis.

The bulk of these losses would come in medical services for the poor and the elderly and children's health insurance coverage. There are smaller losses in forgone federal funding for education programs that Assembly budget analysts are still evaluating.

In the case of the Medi-Cal program, the governor's proposed budget would reduce fees paid to doctors and hospitals by 10 percent and eliminate dental, chiropractic, podiatry, optometry and other services that are now covered.

For Healthy Families, the state children's health insurance program, it would cap dental coverage at \$1,000 per child and increase the premiums for families by \$3 a child.

Kim Belshé, state secretary of health and human services, said the loss of federal funds is the consequence of making enough state budget cuts to eliminate a projected \$14.5 billion budget shortfall in 2008-2009.

"The governor has been clear that the severity of the state's budget gap requires all to participate in the solution," she said in a telephone interview Monday. "Medi-Cal can't be exempt any more than any other program."

Cuts in health care have a doubling effect because federal money is typically available on a dollar-for-dollar match.

"Every dollar of state savings takes \$2 out of the doctors' offices and hospitals," said Jean Ross of the California Budget Project. "The impact on the state's economy is double."

The California Medical Association blasted the budget proposal.

"Slashing payments that go towards providing health care to the poor will only exacerbate the health care crisis in California," said Dr. Richard Frankenstein, association president, in a recent statement.

"These cuts will force doctors out of this important program, will force hospitals and clinics to close their doors, and will force tens of thousands of patients to get their care in emergency rooms," he said.

In the Healthy Families program, according to the Assembly budget committee, the governor is proposing a \$49.1 million reduction in general fund spending that will result in \$76.1 million less funding from the federal State Children's Health Insurance Program.

But Belshé said the cuts will be balanced with higher premiums and capped dental services and will not change eligibility standards.

"These are modifications that have endeavored to protect income eligibility and benefits," she said, adding that there will be sufficient money to accommodate a projected increase of 65,000 children covered by the program.

"If the projections are correct, Healthy Families enrollment will be at an all-time high – 954,252 kids," she said.